STATE OF VERMONT
PUBLIC SERVICE BOARD

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ORDER RE: ENERGY EFFICIENCY UTILITY BUDGET FOR CALENDAR YEARS 2009, 2010, AND 2011

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I. INTRODUCTION

In this Order we establish the Energy Efficiency Utility[1] ("EEU") budgets for electric efficiency services for 2009, 2010, and 2011 and determine what portion of those budgets should be targeted toward specific purposes.[2] Vermont law requires EEU budgets to be set at a level that would realize "all reasonably available, cost-effective energy efficiency," and sets forth specific objectives for the Public Service Board ("Board") to consider when setting EEU budgets.[3] After considering all these factors, we establish funding levels of $30.75 million in 2009, $35.4 million in 2010, and $40.7 million in 2011.[4] We further determine that: the first $16.2 million of each year's budget will be subject to equity constraints, similar to those in place today; the next $12.2 million of each year's budget will be directed towards geographic-targeting activities;[5] and any additional funds (the increases in the budget in 2010 and 2011) will be directed toward the most cost-effective energy or capacity savings, regardless of where in the state they are located.

This Order follows two rounds of written comments by interested persons, and a workshop at which attendees discussed issues related to establishing the 2009-2011 EEU budgets. Participants' recommendations can be divided into three groups: (1) level-funding the EEU at its current budget of $30.75 million; (2) increasing the EEU budget by inflation in some or all of the next three years; and (3) increasing the EEU budget to $52 million in 2009 and

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1. Efficiency Vermont delivers the EEU's services throughout most of the state. The City of Burlington Electric Department ("BED") delivers most of the EEU's services in BED's service territory.

2. 30 V.S.A. § 209(d)(7), which was added in 2008 in Public Act 190, provides that net revenues from the regional Forward Capacity Market shall be used by the EEU to deliver fossil-fuel energy efficiency services to Vermont's heating and process-fuel consumers on a whole-buildings basis. Thus, there is no need for the Board to establish a budget for those services, and this Order focuses solely on the budget for the EEU's electric energy efficiency activities.

3. 30 V.S.A. § 209(d)(4) and (e)(14).

4. This equates to a 15 percent budget increase in 2010 and another 15 percent increase in 2011.

5. In 2008, approximately $16.2 million is subject to equity constraints, and approximately $12.2 million is directed toward geographic-targeting activities. These two amounts do not equal the total 2008 EEU program budget of $30.75 million because the EEU program includes other costs (such as the DPS's EEU monitoring and evaluation activities, the contract administrator and fiscal agent, and the customer credit program) that are not subject to equity constraints or related to geographic-targeting activities.

ramping the budget up to $85 million in 2011. In addition, the Board received approximately 200 public comments regarding the EEU budget levels. Nearly all the public comments supported increasing the budget significantly.[6]

In this Order we conclude that additional cost-effective energy efficiency is reasonably available, and therefore we are increasing the EEU budget. This additional investment in cost-effective energy efficiency will result in total electric costs to Vermont that are lower than they would otherwise be by providing savings to consumers who install efficiency measures as well as savings to all ratepayers through reduced need for power purchases by utilities, deferred need for system upgrades such as transmission lines, and other statewide savings.

However, through the existing EEU funding mechanism, increased spending on efficiency also raises rates at a time when Vermonters are facing significant economic difficulties, such as increased heating and transportation costs. The energy efficiency charge ("EEC"), although small in relation to total electric charges, is additive in relation to overall rates. Today's decision establishing new EEU budget levels is likely to increase rates (above what they would be at the current budget level) approximately 0.6 percent in both 2010 and 2011. The impact of increasing the charge will be most felt at both ends of the spectrum, by large industrial and commercial users, and by low and middle-income Vermonters who are struggling to heat their homes and commute to their jobs.

Our concern regarding the impact of electricity rates on the welfare of the state and its people has contributed to our decision to phase in the EEU budget increase to the level at which it can acquire all reasonably available, cost-effective energy efficiency. In particular, it is a significant reason why we determined not to increase the EEU budget in 2009, and to apply the increases to the remaining two years.[7] This decision is consistent with the Board's December 30, 2002, Order in Docket 6777 in which we reduced the amount of the increase in the EEU's 2003 annual budget because Vermont was experiencing a significant economic downturn.

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6. Many of these public comments also expressed support for fossil-fuel energy efficiency services, although this EEU-budget-setting process is focused solely on the budget for the EEU's electrical energy efficiency activities.

7. We also note that the benefits of energy efficiency investments occur after the investments are made. As a result, increasing the EEU budget in 2009 is not likely to help Vermonters during the 2008-2009 winter season.

According to the latest data from the Consortium for Energy Efficiency, Vermont continues to be the leader among states with electric energy efficiency programs. Vermont's per capita budget for electric energy efficiency was the highest in the country at $38.08 in 2007. Connecticut's per capita budget was second to Vermont at $29.59. Vermont's budget exceeds the mean per capita budget of $10.79 by $27.29.[8] The funding levels that we establish in this Order keep Vermont at the forefront of energy efficiency efforts in the United States while recognizing the current conditions of the state and global economy, and the pressures these conditions exert on businesses and individuals.

II. PROCEDURAL HISTORY

In 2005 and 2006, new legislation was enacted that included statutory objectives that the Board must balance in determining the EEU budget. In 2006, the Board held an extensive process to implement the various EEU-related provisions of this new legislation. This process is described in detail in our August 2, 2006, Order Re: Energy Efficiency Utility Budget for Calendar Years 2006, 2007, and 2008 ("2006 Budget Order"). As a further step in that process, on September 25, 2006, the Board issued an Order determining that it is appropriate for the EEU to "target" a portion of its services, initially to maximize peak-capacity reductions statewide, and ultimately to maximize energy and capacity reductions in targeted geographic areas, which would be selected later. On January 8, 2007, the Board issued an Order identifying four geographic areas in which the EEU will deliver targeted energy efficiency measures. As a result of the 2006 process, the Board established EEU budgets of $19.5 million in 2006, $24.0 million in 2007, and $30.75 million in 2008.

In April 2008, the Board began the process to establish budgets for calendar years 2009, 2010, and 2011. In an April 9, 2008, memorandum, the Board requested that interested persons file comments by April 18, 2008, proposing actual budget numbers for 2009 through 2011, with any reply comments to be filed by April 28, 2008. Commenters were also asked to identify any additional processes they believe are necessary to establish actual budget amounts, with an explanation as to why such additional process is necessary.

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8. *See* www.cee1.org/ee-pe/2007/figures/Fig1.pdf.

On May 1, 2008, Conservation Law Foundation ("CLF") and Vermont Public Interest Research Group ("VPIRG") filed a letter requesting an opportunity to make a presentation to the Board to provide the data, studies, and legal authority to support their recommendation for the 2009-2011 EEU program budget. While several other entities filed comments and reply comments, no other commenter recommended any additional process before establishing new budgets.

In a May 22, 2008, memorandum, the Board requested that CLF and VPIRG provide additional information by June 6, 2008, supporting their request for a hearing, and established June 20, 2008, as the deadline for reply comments. The Board also stated that after it reviewed all filings, it would determine whether to hold a workshop.

After review of the filings, the Board held a workshop on August 6, 2008, to discuss the 2009-2011 EEU budget. The workshop began with a presentation by CLF and VPIRG regarding the support for their recommendation for the EEU program budget. Efficiency Vermont and BED were then given the opportunity to address whether they could ramp up the delivery of energy efficiency services as quickly as CLF and VPIRG have proposed, and if so, what types of services would be expanded or offered for the first time. The workshop also provided an opportunity for workshop attendees to respond to CLF's and VPIRG's presentation and Efficiency Vermont's and BED's statements, and to offer other comments.

III. PARTICIPANTS' RECOMMENDATIONS

As discussed above, the 2009-2011 EEU budget recommendations were filed during two rounds of written comments by interested persons and a workshop at which attendees discussed budget-related issues. Participants' recommendations can be divided into three groups: (1) level-funding the EEU at its current budget of $30.75 million; (2) increasing the EEU budget by inflation in some or all of the next three years; and (3) increasing the EEU budget to $52 million in 2009 and ramping the budget up to $85 million in 2011. Some participants also commented

on whether geographic targeting should continue in the 2009-2011 period. Participants' specific budget recommendations[9] are presented below (grouped by recommended budget level).

The Department of Public Service ("DPS" or "Department") recommended that the 2009 EEU budget be held constant at the 2008 level ($30.75 million), and then adjusted for inflation in 2010 and 2011. The Department recommended a stabilized budget for 2009 to allow Efficiency Vermont an opportunity to adjust to current spending levels following the significant increases in the 2006, 2007 and 2008 annual budgets. The Department recommended the 2010 and 2011 annual budgets be adjusted only for inflation given the potential for significant changes to the EEU resulting from possible restructuring of the EEU and the changes in federal lighting standards that will begin taking effect in 2012. The Department also recommended that geographic-targeting efforts continue in 2009 and that the program then be evaluated to determine the targeting efforts for later years.

Green Mountain Power Corporation ("GMP") made two different budget recommendations that are somewhat inconsistent with each other. GMP stated that it "would like to see the 2009 through 2011 EEU budgets remain equal to the 2008 budget, which would mean only inflationary modifications would be made to the 2008 budget level."[10] GMP also indicated support for the Department's budget recommendation, which does not provide for an inflation adjustment in 2009. GMP recommended that geographic targeting be continued.

IBM recommended that the EEU budget "be funded at the current level for the 2009-2011 period, with adjustments for inflation as appropriate."[11] IBM recommended that geographic-targeting activities should be undertaken to the extent that they support least-cost planning objectives.

The Vermont Public Power Supply Authority ("VPPSA") supported "the utilization of level funding assumptions . . . through the 2009-2011 period."[12]

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9. All filings received from members of the EEU e-mail service list related to the 2009-2011 EEU program budget are posted on the Board's website at http://www.state.vt.us/psb/EEU/EEUBudget/2009-2011.htm.

10. GMP letter dated April 18, 2008.

11. IBM letter dated June 26, 2008.

12. VPPSA letter dated April 21, 2008.

CLF and VPIRG asserted that the EEU budget should be increased significantly to a level that results in acquiring "all reasonably available, cost-effective energy efficiency savings" as required by 30 V.S.A. § 209(d)(4). They stated that analysis from the last time the EEU budget was set indicated that a budget of $52.5 million in 2008 would have been "an appropriate level to meet the statutory requirements." They recommended that the budget be increased from $52.5 million in 2009 to approximately $85 million by 2011, but they did not recommend a specific funding level for 2010.

Washington Electric Cooperative, Inc. ("WEC") stated that it "endorses the principles and citations presented by CLF and VPIRG, and ask[s] that serious consideration be given to their specific recommendations."[13] WEC also recommended an allowance above that figure for any additional geographic-targeting initiatives which may emerge through the on-going process of the Vermont System Planning Committee ("VSPC").

Central Vermont Public Service Corporation ("CVPS") recommended that the budget be set at a level sufficient to fund the delivery of the "comprehensive energy efficiency programs" called for under 30 V.S.A. § 218c(a)(2), but CVPS did not specify what dollar amount would accomplish that goal. CVPS also suggested that distribution utilities, the VSPC, and the Department collaborate on the specific geographic-targeting projects to be funded.

The City of Burlington Electric Department ("BED") participated in the August 6, 2008, workshop, but did not file any budget recommendations.

The following table compares participants' budget recommendations. In order for this comparison to be meaningful, it is necessary to quantify the effect of adjusting EEU budget levels for inflation. However, no commenter recommended what rate should be used to make this adjustment. One common inflation index is the Consumer Price Index for All Urban Consumers ("CPI-U") which is calculated by the Bureau of Labor Statistics in the U.S. Department of Labor. During the first seven months of 2008, the CPI-U rose at a 6.2 percent seasonally adjusted annualized rate.[14] We recognize that this rate is higher than historic inflation

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13. WEC letter dated June 23, 2008.

14. Consumer Price Index Summary released by the Bureau of Labor Statistics in the U.S. Department of Labor on August 14, 2008. The Summary is available at: http://www.bls.gov/news.release/cpi.nr0.htm.

rates (for example, the CPI-U in 2007 was 4.1 percent). Nevertheless, because 6.2 percent is the most recent inflation rate available, the numbers shown in italics in the chart below use this rate as the inflation adjustment for each year in which an inflation adjustment is recommended.

Comparison of Recommended Budget Levels for 2009, 2010, and 2011, and Cumulative Funding
Nominal dollars in millions

Commenter	2009	2010	2011	3-Year Total Budget
CLF and VPIRG, WEC	$52.5	between $52.5 and $85	$85	$190+
GMP, IBM	*$32.7*	*$34.7*	*$36.8*	*$104.2*
DPS	$30.75	*$32.7*	*$34.7*	*$98.2*
VPPSA	$30.75	$30.75	$30.75	$92.25
Today's PSB Order	$30.75	$35.4	$40.7	$106.85

IV. DISCUSSION

30 V.S.A. § 209(d)(4) provides the Board with the following guidance for determining the EEU budget:

> The charge established by the board pursuant to subdivision (3) of this subsection shall be in an amount determined by the board by rule or order that is consistent with the principles of least cost integrated planning as defined in section 218c of this title. As circumstances and programs evolve, the amount of the charge shall be reviewed for unrealized energy efficiency potential and shall be adjusted as necessary in order to realize all reasonably available, cost-effective energy efficiency savings. In setting the amount of the charge and its allocation, the board shall determine an appropriate balance among the following objectives, provided, however, that particular emphasis shall be accorded to the first four of these objectives: reducing the size of future power purchases; reducing the generation of greenhouse gases; limiting the need to upgrade the state's transmission and distribution infrastructure; minimizing the costs of electricity; providing efficiency and conservation as a part of a comprehensive resource supply strategy; providing the opportunity for all Vermonters to participate in efficiency and conservation programs; and the value of targeting efficiency and conservation efforts to locations, markets or customers where they may provide the greatest value.

In addition, 30 V.S.A. § 209(e)(14) requires the Board to consider the impact on retail rates of energy efficiency programs.

We have considered all these factors in determining reasonable EEU budget levels, taking into consideration not only the substantial net benefits of energy efficiency but also the rate impacts that the EEC will have on Vermont's electric customers.

A. System Benefits of Energy Efficiency Programs

The benefits of energy efficiency programs to customers who participate in those programs are widely recognized — energy efficiency programs help customers reduce their electricity consumption, thereby lowering their bills. In addition, Vermont ratepayers who do not participate in energy efficiency programs also benefit from those programs.

Because energy efficiency investments are only made if they are cost-effective, they reduce the amount of total costs of providing electricity, resulting in lower rates at the time of the utility's next rate case than would be the case without the energy efficiency investment. In other words, there are "system benefits" associated with energy efficiency investments that accrue to all ratepayers, regardless of whether they participate in the energy efficiency programs. These system benefits include:

- reduced power purchases and transmission costs that a utility would otherwise have had to incur;
- reduced reserve margins that a utility would otherwise have had to meet;[15]
- reduced ancillary service charges that a utility would otherwise have had to incur;[16]

15. For reliability purposes, utilities are required to demonstrate that they can provide a certain percentage of power generation, beyond that which they expect to actually need, for the purpose of covering contingencies. This extra power generation is referred to as a "reserve margin." The costs of reserve margins are charged to all utility customers. Therefore, if one customer uses less power, the utility's required reserve margin is lower, and all customers benefit.

16. Ancillary services are necessary services for the electricity system to operate reliably. These include services that enable the system operator to exactly match electricity demand and supply at every moment, which is necessary to prevent changes in voltage levels and system outages. All customers benefit when a utility's purchases of ancillary services are decreased.

- reduced transmission line losses that a utility would otherwise have experienced;[17]
- reduced costs of hedging against volatility; and
- deferred need for transmission or distribution system upgrades.

While many of these system benefits are difficult to quantify, they are nonetheless significant.

B. Reasonably Available Cost-Effective Energy Efficiency Savings

30 V.S.A. § 209(d)(4) requires that the EEU budget "be adjusted as necessary in order to realize all reasonably available, cost-effective energy efficiency savings." A common way to assess the amount of available cost-effective energy efficiency savings is to conduct an energy efficiency potential study. These studies typically measure energy efficiency potential in one or more of the following ways: technical potential; maximum achievable potential; and maximum achievable cost-effective potential. Technical potential considers what is technically possible from an engineering perspective. Maximum achievable potential recognizes that it is not realistic to expect that all energy efficiency measures that are technically feasible would actually be installed. Maximum achievable cost-effective potential includes those technically and reasonably possible measures that are also cost-effective.

(1) 2006 Study

In 2006, the DPS performed a technical-potential study ("2006 Study"). The 2006 Study found that technical potential savings were 35% of projected 2015 kWh sales, and achievable cost-effective energy efficiency savings were 19.4% of projected 2015 kWh sales.[18] The 2006 Study concluded that there are significant potential net present value savings to Vermont ratepayers from the acquisition of the achievable cost-effective potential — approximately $964

17. Under the laws of physics, line losses increase exponentially as transmission loads increase linearly. All customers pay for line losses. When one customer reduces his or her demand, less generation is transmitted from the source to the customer and line losses are lower, thereby benefitting all customers.

18. As explained in the 2006 Budget Order, the DPS actually filed two "final" versions of this study, one in May 2006, and the other in July 2006. Both versions found the same levels of energy efficiency potential savings, but concluded that significantly different annual budget amounts would be necessary to acquire all the achievable cost-effective savings. In this Order, we refer solely to the annual budget amounts from the July 2006 study. For more information about the differences in the two versions, see pages 25-27 of the 2006 Budget Order.

million (in 2006 dollars) — and that the average annual budget necessary to acquire the estimated achievable cost-effective potential is approximately $35.8 million (in 2006 dollars) over the ten-year period that was the subject of the 2006 Study.

In 2006, several parties commented on the 2006 Study, with some arguing that it understated the achievable cost-effective energy efficiency and others arguing that it overstated the potential.[19] After reviewing the 2006 Study and workshop participants' comments on that study, the Board concluded:

> we are persuaded that: (1) the methodology used by the DPS in both studies was appropriate; (2) some of the assumptions used by the DPS were conservative; and (3) both studies show more achievable cost-effective potential due to fuel switching than exists in the short term, given the current high oil prices. On balance, we conclude that both studies produced a conservative estimate of the actual reasonably-available, cost-effective energy efficiency savings in Vermont. In order to offset this conservatism, we conclude that it would be appropriate to set the EEU budget at a level higher than that which would be indicated by a strict application of the July Study.[20]

In the 2006 Budget Order, the Board listed two examples of conservative assumptions: (1) the assumption that incentive levels of only 50 percent of the measure's incremental cost would be paid to participants, even though many measures would still be cost-effective if higher incentive levels were paid; and (2) the decision not to include "early-retirement measures"[21] in the 2006 Study's results, even though some early-retirement measures would be cost-effective, although more expensive than other, non-early-retirement measures. In addition, the Board noted that the magnitude of the corrections of errors in the study and updates to information in the study filed by the DPS in June and July 2006 demonstrated how changes in assumptions can cause significant changes in the study's results.[22]

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19. *See* 2006 Budget Order at 26-27.

20. 2006 Budget Order at 27 (footnotes omitted).

21. Early-retirement measures are measures that replace existing appliances or equipment before the end of their useful lives.

22. *See* 2006 Budget Order at 27.

(2) 2008 Energy Efficiency Potential

In 2008, the DPS performed a limited update of the 2006 Study ("2008 Limited Update").[23] The DPS intended for the 2008 Limited Update to address the following four factors:

- the potentially significant changes related to baseline considerations of product efficiencies through federal legislation that could have significant budgetary considerations;
- implications on the budget of updated technical specifications described in the Technical Reference Manual[24] and/or updated information on the administrative costs of programs given recent experience;
- rapid changes in the market for compact fluorescent lightbulbs ("CFLs") that have implications for the EEU budget, given the heavy reliance on CFLs in the residential lighting program; and
- the implications of higher avoided costs on measures and programs.[25]

The 2008 Limited Update concluded that the changes to the first two items listed above could justify a downward adjustment of approximately 7 percent to the EEU budget, but that these reductions could be offset in their entirety each year by aggressive promotion of other existing measures and new technologies (such as light emitting diodes ("LEDs")). The 2008 Limited Update made no budget adjustment during the 2009-2011 time period as a result of the new federal lighting efficiency standards because the law phases in the new standards starting in 2012.[26] When the DPS performed the 2008 Limited Update, it did not rerun the model with current avoided costs (which are significantly higher than those in effect at the time of the 2006 Study). However, the DPS did state that, as a result of the higher avoided costs, some additional

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23. The DPS summarized the results of the 2008 Limited Update in its April 4, 2008, filing.

24. The Technical Reference Manual is a regularly updated, comprehensive list of all measure and program assumptions used in determining measure and program cost-effectiveness.

25. DPS filing dated April 4, 2008, at 2.

26. The federal Energy Independence and Security Act of 2007 requires that so-called "typical" 100, 75, 60, and 40-watt light bulbs meet specified efficiency standards that current incandescent light bulbs do not meet.

measures and programs may now screen that were not deemed cost-effective when the model was run in 2006.[27]

In contrast, CLF and VPIRG argued that the reasonably available cost-effective energy efficiency potential was significantly higher than that which could be acquired by the current budget level. They reiterated arguments they first made during the Board's 2006 budget-setting process, stating that other technical-potential studies showed that an increase of between three to 10 times the budget level at the time ($17.5 million) would be cost-justified.[28] CLF and VPIRG argued that these studies, combined with the legal requirement that all reasonably available, cost-effective energy efficiency be acquired, support EEU budget levels of $52 million in 2009, ramping up to $85 million in 2011.

After reviewing the information provided regarding the 2008 Limited Update and participants' comments regarding that Update, we are persuaded that the 2008 Limited Update provides a conservative estimate of the reasonably available cost-effective energy efficiency potential in Vermont. An achievable-potential study is a complex undertaking that requires a variety of assumptions. The nature of these assumptions can have a significant impact on the study's results. The 2008 Limited Update used the same conservative assumptions the DPS made in 2006 regarding incentive levels and early retirement measures. In addition, avoided costs have increased, making some additional measures cost-effective, but the 2008 Limited Update does not quantify this amount. On the other hand, because of the new federal lighting efficiency standards, some lighting measures will no longer be cost effective near the end of the 2009-2011 period; the effect of these changes on the reasonably available cost-effective potential is also not quantified. On balance, we reach a conclusion similar to the one we reached in our 2006 Budget Order: it is appropriate to set the EEU budget at a higher level than that which would be indicated by a strict application of the 2008 Limited Update.

This conclusion is further supported by the EEU's actual implementation experience. Historically, the EEU's levelized cost of energy efficiency has been significantly below what it would cost Vermont's electric utilities to supply the same energy and capacity over the average

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27. DPS filing dated April 4, 2008, at 2-3.

28. CLF/VPIRG filing dated June 6, 2008, at 1.

life of the efficiency measures, based on avoided costs at the time the measures were installed. In 2005, Efficiency Vermont's levelized cost of energy efficiency was approximately 3.5 cents per kWh. That figure increased slightly to approximately 3.7 cents per kWh in 2006, and fell to 2.6 cents per kWh in 2007.[29] In comparison, it is estimated that it would cost electric utilities 9.6 cents per kWh, 10.4 cents per kWh, and 10.7 cents per kWh to supply the same energy and capacity over the average life of the measures installed in 2005, 2006, and 2007, respectively.[30] These results indicate that additional energy efficiency investments would be cost-effective.

At the same time, however, we are not persuaded that the reasonably available technical potential for the 2009-2011 time period is as large as CLF and VPIRG claim. We reach this conclusion for two reasons.

First, we have learned that it takes time for the EEU to plan for and implement significant budget increases. For example, when the Board increased the EEU budget in 2006 and directed the EEU to implement geographic targeting, it took Efficiency Vermont approximately six months to develop a request for proposals, conduct the competitive solicitation, and select a vendor to implement a direct-install program.[31] It is important for the EEU to plan for and implement its services in the most cost-effective manner possible. Setting a budget that would require the EEU to increase its spending by 69 percent in 2009, as CLF and VPIRG have recommended, ignores the significant practical difficulties in ramping up energy efficiency sources so rapidly.

Second, significant changes are occurring in the CFL market which will affect the amount of reasonably available cost-effective energy efficiency potential. Currently, CFLs account for a significant percentage of Efficiency Vermont's energy and capacity savings, and are among the

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29. CLF/VPIRG June 6, 2008, filing, citing Efficiency Vermont's 2005 Annual Report Summary, 2006 Annual Report Summary, and 2007 Annual Report Summary. The 2005 and 2006 calculations are based on savings that have been verified by the DPS, while the 2007 calculation is based on Efficiency Vermont's savings claim that, at the time of the CLF/VPIRG filing, had not yet been verified by the DPS.

30. Efficiency Vermont 2005 Annual Report Summary at 2; Efficiency Vermont 2006 Annual Report Summary at 4; Efficiency Vermont 2007 Preliminary Annual Report Summary at 7.

31. Tr. 8/6/08 at 51 (Hamilton).

most cost-effective measures invested in by the EEU.[32] However, savings claimed per CFL are expected to decrease in the 2009-2011 time period as a result of increasing market penetration and sales volumes in Vermont as well as nationally,[33] and the implementation of the lighting efficiency standards contained in the federal Energy Independence and Security Act of 2007.[34] As a result, the EEU's levelized cost of energy efficiency is expected to rise during the 2009-2011 time period. In addition, the EEU will be changing its activities during this period to focus on products and opportunities not covered by the new federal standards.[35]

The transformation of the CFL market is a resounding success — one of the goals of the EEU program is to change consumers' standard practices so they become more efficient. The new federal standards will require consumers nationwide to use more efficient versions of certain types of light bulbs, so it will no longer be necessary for the EEU to encourage consumers to use CFLs instead of "typical" 100, 75, 60, and 40-watt bulbs. Vermonters will benefit from this change in practice — the amount of electricity used for lighting will decrease without the need for further intervention in the market for these products by the EEU. Nevertheless, as the standard practice becomes more efficient, there is less remaining potential for energy efficiency until new, even more efficient lighting technologies (such as LEDs) are developed.

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32. In 2007, retail sales of CFLs accounted for 46 percent of Efficiency Vermont's first-year MWh savings, 24% of its summer peak MW savings, 26% of lifetime MWh savings, 25% of total resource benefits, and 14% of Efficiency Vermont's costs. Presentation by Efficiency Vermont at 8/6/08 workshop, slide entitled "Planning for CFL Market Transformation." Tr. 8/6/08 at 75-76 (Hamilton).

33. The savings claimed by the EEU are intended to reflect the results of its efforts to encourage customers to invest in energy efficiency who would not otherwise have done so. Some customers who received an incentive or other assistance from the EEU to purchase a CFL (or other energy efficient product), would have purchased the efficient product anyway, even without the incentive or other assistance. Reductions are made to the savings claimed by the EEU for each CFL (or other efficient product) to reflect this. As the market penetration of an efficient product increases, so do the number of customers who would have purchased the efficient product anyway, and therefore the savings claimed by the EEU per CFL (or other efficient product) also decrease.

34. While the phase-in of the new standards do not begin until 2012, they will affect the cost-effectiveness of CFLs installed before that date because the cost-effectiveness calculation will not be based on the energy savings over the CFLs' average lifetime, but rather over a shorter period.

35. Tr. 8/6/08 at 72-73 (Hamilton).

C. Statutory Requirements Given "Particular Emphasis"

The statute requires the Board to give "particular emphasis" to four objectives: reducing the size of future power purchases; reducing the generation of greenhouse gases; limiting the need to upgrade the state's transmission and distribution infrastructure; and minimizing the costs of electricity. We discuss each of these in turn.

(1) Reducing the Size of Future Power Purchases

All energy efficiency savings reduce future power needs. Currently, energy efficiency savings allow Vermont's utilities to either purchase less electricity from the regional wholesale market or to sell excess energy in this market. Such reductions in market purchases or increases in market sales are particularly valuable given increasing prices in the regional wholesale market; that value will change as market prices change.

In addition, because many energy efficiency measures have long lives,[36] energy efficiency measures installed today have the ability to reduce the size of future long-term power purchases. Vermont's most significant sources of power are the long-term contracts with Hydro-Québec and Vermont Yankee, which collectively account for approximately two-thirds of electric power consumed in the State. The vast majority of the power purchases under these contracts is currently scheduled to end in 2012 and 2015. Even under the most optimistic assumptions regarding achievable energy efficiency potential, the state's utilities would not be able to acquire sufficient energy efficiency savings to supplant the need for new generating plants or sizable power contracts such as those currently with Vermont Yankee and Hydro-Québec, although increased investment in energy efficiency measures with long lives could reduce the size of the purchases that would be required.[37]

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36. While the average lifetime of measures installed by Efficiency Vermont has ranged from 10 to 15 years, many measures, particularly those associated with new construction or other building modifications, have considerably longer lives.

37. We recognize that investing now in measures with short lifetimes may not affect the size of contracts that would replace the current long-term contracts with Vermont Yankee and Hydro-Québec. However, investments in measures with long lifetimes could.

(2) Reducing the Generation of Greenhouse Gases

Due to the resource mix of Vermont's utilities, the State's emissions of greenhouse gases from electric generating sources is currently very low. Generation sources of greenhouse gas emissions in Vermont are primarily the diesel peaking units owned by Vermont utilities. Greenhouse-gas-emitting sources outside of Vermont range from baseload coal generating plants to natural-gas-fired peaking units. Reducing greenhouse-gas emissions within Vermont would require targeted energy efficiency aimed at reducing peak loads, thereby reducing the amount of time that fossil-fuel-fired peaking units are required to run. To the extent that the Vermont utilities purchase electricity produced by fossil-fuel-fired generating units located outside the state,[38] increases in energy efficiency savings (which would be achieved if the EEU budget were increased) should reduce the amount of electricity purchased from such sources, which should reduce greenhouse-gas emissions.

Furthermore, beginning in 2009, Vermont will be participating in the Regional Greenhouse Gas Initiative ("RGGI"), a multi-state cap-and-trade program with a market-based emissions-trading system.[39] The RGGI program will reduce greenhouse-gas emissions by placing a cap on CO_2 emissions from fossil-fueled electric generators in the region. Investments in energy efficiency help in the cost-effective achievement of the regional cap by reducing the need for fossil-fuel-fired generation. They may also make it easier to lower the cap in the future.

(3) Deferring Transmission and Distribution Upgrades

The Board has previously recognized the role that energy efficiency can play in deferring transmission and distribution upgrades. When reviewing transmission upgrades, the Board is required by statute to determine whether the proposed project:

> is required to meet the need for present and future demand for service which could not otherwise be provided in a more cost-effective manner through energy

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38. In 2007, Vermont purchased about nine percent of its power from New England's power market, a generation mix that includes a majority portion of fossil-fueled sources. Utility Facts 2008 by the DPS at 9. This report is available at: http://publicservice.vermont.gov/pub/other/utilityfactsfinaldraft2008.doc.

39. RGGI is a cooperative effort by Northeastern and Mid-Atlantic states (Connecticut, Delaware, Maine, Maryland, Massachusetts, New Jersey, New Hampshire, New York, Rhode Island and Vermont) to reduce carbon dioxide emissions from fossil-fueled electric generators.

> conservation programs and measures and energy efficiency and load management measures, including but not limited to those developed pursuant to the provisions of sections 209(d), 218c, and 218(b) of this title.[40]

In Docket 7081, the Board opened an investigation into the planning process of Vermont's electric transmission company to ensure that non-transmission alternatives, including energy efficiency, were given equal and timely consideration in the future. In a June 20, 2007, Order, the Board approved a Memorandum of Understanding ("MOU"), arising out of a collaborative process, that establishes both an integrated least-cost planning process for the Vermont transmission system, and the VSPC. The VSPC will help facilitate better cooperation and coordination among utilities in considering both transmission and non-transmission alternatives. The MOU also provides that the EEU is to be a non-voting participant of the VSPC, and as such, the EEU would have the opportunity to participate and assist in planning activities, including a defined role relating to forecasting demand savings.

On January 8, 2007, the Board identified four geographic areas in which Efficiency Vermont targets capacity reductions with an eye towards deferring or obviating transmission upgrades. The geographic-targeting efforts have not been in place for a sufficient time to allow for a full analysis of the impacts of the program. However, early results indicate that geographic targeting has been successful.

We have determined that it is appropriate to continue the geographic-targeting efforts, at least through 2011. Further information is needed to determine when geographic areas will reach the saturation point with respect to implementation of current energy efficiency programs. As further information is developed it is possible that geographic targeting will be discontinued in some areas and implemented in new areas. The Board will direct staff to develop further information, either through written filings or a workshop process, to determine the specific areas that should be geographically targeted for capacity reductions in the 2009-2011 budget period.

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40. 30 V.S.A. § 248(b)(2).

(4) Minimizing the Costs of Electricity

One of the factors driving recent electric-utility rate increase requests is the fact that regional wholesale electricity market prices are both high and volatile. Marginal energy and capacity needs, especially during peak times, are typically met through market purchases, contributing disproportionately to power costs. Targeting energy efficiency to reduce peak load would therefore have the benefit of stabilizing and reducing power costs, and ultimately rates.

There are other ways that energy efficiency investments minimize the costs of electricity. These system benefits are discussed in detail in Section IV.A, above.

The rate and bill impacts of energy efficiency investments are addressed further in Section IV.D.4, below.

D. Other Statutory Requirements

In addition to those objectives to which the Board is required to give "particular emphasis," there are four more objectives that the Board must consider in determining an appropriate budget level for the EEU: (1) providing efficiency and conservation as part of a comprehensive resource-supply strategy; (2) providing the opportunity for all Vermonters to participate in efficiency and conservation programs; (3) targeting efficiency and conservation efforts to locations, markets or customers where they may provide the greatest value; and (4) rate impacts. We discuss each of these below.

(1) Providing Efficiency and Conservation as a Part of a Comprehensive Resource Supply Strategy

Vermont law has long required electric utilities to include efficiency and conservation as part of their integrated resource plans.[41] In addition, electric utilities must consider whether the need for new transmission or generation resources can be met more cost-effectively by investment in energy efficiency.[42]

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41. *See* 30 V.S.A. § 218c.

42. *See* 30 V.S.A. § 248(b)(2).

When the EEU began operation, the Board deemed the EEU's programs to satisfy electric utilities' obligations to conduct system-wide energy efficiency programs in their service territories. The EEU then provides information about the results of its activities to electric utilities so that the utilities can incorporate those results into their integrated resource plans. In addition, as discussed above, as a result of Docket 7081 the EEU participates in an integrated least-cost planning process for the Vermont transmission system as a non-voting member of the VSPC.

(2) Providing the Opportunity for all Vermonters to Participate in Efficiency and Conservation Programs

Section 209(e)(1) directs the Board to: "Ensure that all retail consumers, regardless of retail electricity or gas provider, will have an opportunity to participate in and benefit from a comprehensive set of cost-effective energy efficiency programs and initiatives designed to overcome barriers to participation." This is also one of the objectives in 30 V.S.A. § 209(d)(4) that the Board must balance when determining the amount of the EEU budget.

This statutory requirement relates more to the policy guidance given by the Board to the EEU regarding distributional equity, and thus to the design of the EEU's service offerings, than to the overall EEU budget level. In the 2006-2008 budget process, the Board sought to balance this statutory objective with the one (discussed below) regarding targeting of energy efficiency, by ensuring that the EEU provides a variety of service offerings so that all Vermont electric ratepayers will continue to have the opportunity to participate in its programs. The Board's contract with the Efficiency Vermont provider includes provisions related to equity considerations that establish the allocation of the EEU's funds among customer classes, and that require the EEU to provide certain levels of service to low-income customers, to small-business customers, and in each county. Currently for the 2008 budget, the first $16.2 million (of the $30.75 million budget) is subject to equity constraints, while the remainder of the budget ($12.2 million) is directed toward geographic-targeting activities.[43]

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43. These two amounts do not total $30.75 million because the EEU program includes other costs (such as the DPS's EEU monitoring and evaluation activities, the contract administrator and fiscal agent, and the customer credit program) that are not subject to equity constraints or part of geographic-targeting activities.

For the 2009-2011 budget, we conclude that it is appropriate to apply the same general principles regarding the balance between equity considerations and the desire to obtain the most cost-effective savings. Specifically, the first $16.2 million of the annual budget will be subject to equity constraints, similar to those in place today; the next $12.2 million of the annual budget will be directed toward geographic targeting activities; and any additional funds (the increases in the budget in 2010 and 2011) will be directed toward the most cost-effective energy or capacity savings, regardless of where in the state they are located.

Keeping the equity constraints on the first $16.2 million will ensure that all customers who pay the energy efficiency charge have the opportunity to participate in the EEU's programs, as required by statute. Continuing the geographic-targeting activities at their current level will allow for a more complete test of these activities' potential value; the current activities have not been in place long enough to make such an assessment. Finally, because geographic targeting is still a pilot concept, the 2010 and 2011 increases in the EEU budget will be directed toward the most cost-effective energy or capacity savings located anywhere in the state, rather than increasing funding for the identified geographic areas. This budget distribution will enable the EEU to continue to provide the opportunity for all Vermonters to participate in efficiency programs as the statutory language requires, while maximizing the value that can be obtained for Vermont from additional focused energy efficiency activities as contemplated by the statutes.

(3) Targeting Efficiency and Conservation Efforts to Locations, Markets or Customers Where They May Provide the Greatest Value

There is significant value in targeting energy efficiency because some types of customers and some locations are more costly to provide with energy efficiency services than others, and because the system benefits of energy efficiency investments in some locations are higher than in others. There are three types of targeting that can be achieved: (1) targeting energy efficiency savings within a geographic area to defer the need for transmission and generation infrastructure; (2) achieving peak load reductions by focusing on particular efficiency measures; and (3) providing more funding for those programs that achieve the greatest savings possible for the

least amount of investment. It is anticipated that there would be substantial overlap between these goals.

As explained earlier in this Order, we have determined that it is appropriate to continue the EEU's geographic-targeting efforts. Of the total EEU budget, the same amount currently being used for geographic targeting, approximately $12.2 million, will be used annually for geographic targeting in the 2009-2011 budget period. Additional funds will be used by the EEU to obtain the most cost-effective energy or capacity savings on a state-wide basis.

(4) Rate and Bill Impacts

Just as the system-wide benefits of investments in energy efficiency accrue to all customers, all customers also pay some of the costs of those investments — i.e., those costs paid by the EEU.[44] In addition, reduced electricity consumption means that a utility's fixed costs are spread among a smaller kWh and kW base (or at least a kWh and kW base that is growing more slowly), which can put upward pressure on utility rates. Therefore, in order to fully understand the effect of energy efficiency programs on customers, it is necessary to look at the effect those programs have on both the rates paid by customers and customers' total utility bills.

Unlike when the Board established the 2006-2008 EEU budgets, no commenter presented a model that analyzed the rate and bill impacts of various budget scenarios. However, at the August 6, 2008, workshop, GMP stated that currently, the EEC represents approximately 3.8 percent of a customer's bill, and that every $10 million increase in the EEU budget is roughly equal to a 1.25 percent rate increase for customers.[45]

Using these rough figures, increasing the budget as CLF, VPIRG and WEC have recommended would result in a rate increase of approximately 7 percent, spread over three years.[46] Even if we accepted that the potential was as high as CLF, VPIRG and WEC assert, we

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44. The recipients of the energy efficiency measures and third persons pay the remainder of the costs of those investments.

45. Tr. 8/6/08 at 93-94 (Martin).

46. We recognize that any individual customer would be likely to experience rate and bill impacts different from the average results. This is because any individual customer's rate impact will depend on the rates actually paid by that customer, which vary depending on utility service territory, customer class, and the specific characteristics of

are not persuaded that such an increase would be reasonable at the present time. Even though energy efficiency investments reduce Vermont's electric bills below what they otherwise would be, the short-term rate impacts of acquiring this energy efficiency are real.

Our concern regarding the rate impact of increasing the EEU budget contributed to our decision regarding how quickly to phase in the increase in the EEU budget to the level at which the EEU could acquire all the cost-effective energy efficiency that is reasonably available. Using GMP's rough formula, the EEU budget increases we approve today (approximately $10 million, with all of the increases occurring in 2010 and 2011) are likely to result in rate increases of approximately 0.6 percent in both 2010 and 2011.

E. The EEU Budget Determination

For more than 15 years, Vermont law has required electric and gas utilities to consider energy efficiency along with generation, transmission, and distribution options when determining how they can provide least-cost service to their customers.[47] This law recognizes that implementing energy efficiency, when it is cost-effective, results in total utility costs that are lower than they otherwise would be.

Since March 2000, the EEU (rather than individual electric utilities) has delivered system-wide energy efficiency programs.[48] This change in implementation did not, however, change the underlying economics. The EEU's implementation of cost-effective energy efficiency

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that customer's consumption. In addition, any individual customer's bill impact will be affected by whether the customer participated in any of the EEU's programs. Those who participated will have lowered their electricity consumption, and thereby their utility bills, while those who did not participate will not experience the same bill reductions.

47. *See* 30 V.S.A. § 218c.

48. BED is an exception to this statement. Consistent with the Board-approved settlement that created the EEU, in 1999 BED filed a proposal to deliver most of the EEU's system-wide energy efficiency programs in its service territory. In light of BED's experience delivering energy efficiency programs and its desire to continue to serve its customers in this manner, the Board approved BED's proposal with the requirement that BED work closely with the EEU to ensure that the same energy efficiency services were offered to all Vermonters. Every three years since then (matching the three-year contract cycle with the entity serving as the EEU) the Board has re-evaluated whether BED should continue to deliver most of the EEU's system-wide energy efficiency programs in its service territory.

still results in total electric costs (including the EEU's costs) that are lower than they otherwise would be.

Lower total electric costs for desired levels of electric service benefit all Vermonters, and thus it is important for electric utilities, state policymakers, and regulators to take all appropriate steps to lower these costs.[49] One such step is to acquire all reasonably available, cost-effective energy efficiency savings, as Vermont law requires. This requirement benefits all electric ratepayers because cost-effective energy efficiency produces the system benefits described in Section IV.A, above, which reduce costs that would otherwise be passed on to all ratepayers in the form of higher rates at the time of a utility's next rate case. These system benefits are in addition to the bill reductions experienced by the ratepayer who actually installs the energy efficiency measure and therefore consumes less electricity.

After reviewing the information presented to us during this budget-setting process, we conclude that an increase in the EEU budget is necessary in order to enable it to acquire all reasonably-available, cost-effective energy efficiency savings. This conclusion is supported both by the 2008 Limited Update and by the EEU's actual implementation experience.

According to the DPS, the 2008 Update concludes that the current 2008 budget level of $30.75 million "could be maintained for some time."[50] For the reasons explained in Section IV.B, above, we find that the 2008 Limited Update provides a conservative estimate of the reasonably-available, cost-effective energy efficiency potential during the 10-year period covered by the study. In addition, the fact that the EEU has historically achieved savings at a levelized cost that is considerably below what it would cost an electric utility to provide the same energy and capacity over the average lifetime of the efficiency measures (based on avoided costs in effect at the time the measures were installed) indicates that, even with anticipated increases in the EEU's levelized cost of acquiring energy efficiency, additional investments would be cost effective.

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49. This is particularly important in light of three challenges facing our state: (1) Vermont is located at the end of the energy pipeline, far from fossil-fuel and large hydro sources; (2) Vermont is one of the most rural states in the U.S., and it costs more to serve customers in less densely populated areas; and (3) Vermont's mountainous terrain increases transmission and distribution construction and maintenance costs.

50. DPS April 4, 2008, filing at 3.

Furthermore, we took into account the objectives set forth in 30 V.S.A. § 209(d)(4) as that statute requires. All four objectives to which we are required to give "particular emphasis" are advanced by the acquisition of additional cost-effective energy efficiency, which the EEU could do if its budget were increased.

At the same time, however, 30 V.S.A. 209(e)(14) requires us to consider the effect of the EEU's programs on retail rates. Previous rate and bill impact analyses have shown that increasing the EEU budget lowers statewide electric bills (total statewide electric costs) and raises rates.[51] We are mindful of the current economic downturn that the state is experiencing, and that even very small rate increases can be significant in difficult economic times. This concern leads us to conclude that any budget increases should not begin until 2010.

This decision is consistent with our December 30, 2002, Order in Docket 6777 in which we approved a reduction in the amount of the previously-approved increase in the EEU budget for 2003 as a result of an economic downturn in Vermont. In that Order we stated:

> The economic downturn is putting serious stress on the Vermont business community, and we have heard its concerns about how any increase in short-term costs will make the economic environment even more difficult for the business community over the next year. During tough economic times, businesses will have great difficulty making investments on their own even if those investments (such as installing efficiency measures) may save money in the long-term. However, it is hard to appreciate the value of long-term investments when today's bills cannot be paid.[52]

The causes of today's economic difficulties differ somewhat from the causes of the 2003 downturn. In particular, Vermont residents and businesses are facing significantly higher increases in heating and transportation costs today than they did in 2003. During tough economic times, it is difficult for ratepayers to make investments, even if those investments will save them money in the long term.

We emphasize that, even if the EEU were already acquiring all reasonably available, cost-effective energy efficiency, it would be reasonable to reflect the effect of inflation on the cost of obtaining efficiency, as many participants have recommended, rather than level-fund the EEU

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51. *See* 2006 Budget Order at 17.

52. Docket 6777, Order of 12/30/02 at 19-20.

budget.[53] While we understand that not adjusting the budget for inflation is effectively a budget decrease, we nevertheless conclude that it is appropriate to make an exception in 2009 for the following reasons:

- Vermont is currently facing a difficult economic situation.
- The EEU experienced significant budget increases over the last three years; level funding will provide the EEU with a year to fully adjust to the new spending level without causing either Efficiency Vermont or BED to reduce, or not fully utilize, the additional infrastructure they have developed over the last three years.[54]
- The EEU is facing programmatic changes as a result of the changes to the CFL market and new legislation requiring it to provide separately-funded fossil fuel energy efficiency services;[55] there is value to allowing the EEU to focus on these new areas without the additional workload associated with an increase in its electric efficiency budget.
- Heating and transportation costs have increased dramatically over the last year making electric rate increases even more difficult for consumers; the EEU's electric services will not directly help most customers reduce the burden of those higher costs.[56]

We took into account the fact that we are not adjusting the 2009 budget for inflation when we determined the 2010 and 2011 budget levels. If we adjusted each year's budget for inflation (using a 6.2 percent inflation rate, for the reasons set forth in Section III, above), the 2011 budget would be $36.8 million. We are persuaded the budget needs to be increased further in order to obtain all reasonably available cost-effective energy efficiency. In order to acquire this energy efficiency, we are setting a budget that is approximately $4 million higher in the third year than it would be if we simply adjusted for inflation (using today's inflation rate). We also recognize that a gradual increase in budgets is easier for the EEU to plan for and implement than large changes

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53. Such an inflation adjustment could include a productivity factor to encourage efficient delivery of services. Alternatively, the EEU's performance-incentive mechanism could be designed to provide such incentives.

54. Tr. 8/6/08 at 84-85 (Hamilton, Cawley) and 91-92 (Burns).

55. The EEU's fossil-fuel energy efficiency activities will be funded by net revenues from the regional Forward Capacity Market.

56. A small percentage of Vermonters use electric heat; the EEU's services could help those customers reduce their heating costs.

in one year, and stable multi-year budgets are important for the EEU's planning and implementation strategies.[57] For this reason, we provided for a stable rate of increase from 2009 to 2010, and 2010 to 2011.

Therefore, for the reasons set forth herein, after considering the relevant statutory criteria, information presented during the budget-setting process, participants' recommendations and public comments, we conclude that the appropriate EEU budget levels for the 2009-2011 time period are as follows:

- 2009 – $30.75 million;
- 2010 – $35.4 million; and
- 2011 – $40.7 million.

F. BED and DPS Portions of EEU Program Budget

The methodology for calculating EEC rates and the information necessary to calculate those rates are set forth in PSB Rule 5.300. Two decisions must be made in order to use the Rule to calculate the EEC rates: (1) what should the DPS's EEU monitoring and evaluation budget be (since this is funded out of the total EEU budget); and (2) how will the remaining increase be allocated between Efficiency Vermont and BED (since BED delivers many of the EEU programs in its service territory and its EEU efforts are funded out of the total EEU budget).

The DPS's EEU monitoring and evaluation budget is currently 2.3 percent of the total EEU budget. We determine that it is appropriate to keep the budget for the DPS's EEU monitoring and evaluation activities at this percentage. This means the DPS's EEU monitoring and evaluation budget will be:

- 2009 – $708,000
- 2010 – $814,000
- 2011 – $936,100

57. Tr. 8/6/08 at 56-58 (Hamilton).

With respect to BED's share of the EEU budget, we determine that BED should receive the same percentage of the total EEU budget that it currently does (5.1 percent).[58] This means that BED's share of the EEU budget will be:

- 2009 – $1,517,250
- 2010 – $1,805,400
- 2011 – $2,075,700

V. CONCLUSION

In this Order, we establish the EEU budgets for electric efficiency services for the 2009-2011 time period and determine what portion of those budgets should be targeted toward specific purposes. We also make determinations regarding the DPS's EEU monitoring and evaluation budgets and BED's share of the total EEU budget during that time period.

VI. ORDER

IT IS HEREBY ORDERED, ADJUDGED AND DECREED by the Public Service Board of the State of Vermont that:

1. The Energy Efficiency Utility ("EEU") budgets for the 2009 – 2011 time period shall be:
   - 2009 – $30.75 million
   - 2010 – $35.4 million
   - 2011 – $40.7 million
2. The DPS's EEU monitoring and evaluation budgets for the 2009-2011 time period shall be as follows:
   - 2009 – $708,000
   - 2010 – $814,000
   - 2011 – $936,100
3. The City of Burlington Electric Department's share of the total EEU budget for the 2009-2011 time period shall be as follows:
   - 2009 – $1,517,250

58. BED stated that this approach would be acceptable to it. Tr. 8/6/08 at 88-89 (Burns).

- 2010 – $1,805,400
- 2011 – $2,075,700

4. The first $16.2 million of each year's budget shall be subject to equity constraints, similar to those in place today; the next $12.2 million of each year's budget shall be directed toward geographic-targeting activities; and any additional funds (increases in the budget in 2010 and 2011) shall be directed toward the most cost-effective energy or capacity savings, regardless of where in the state they are located.

Dated at Montpelier, Vermont, this 29th day of August, 2008.

s/James Volz)
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s/David C. Coen)
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)
s/John D. Burke)

PUBLIC SERVICE BOARD OF VERMONT

OFFICE OF THE CLERK

FILED: August 29, 2008

ATTEST: s/Susan M. Hudson
Clerk of the Board

NOTICE TO READERS: This decision is subject to revision of technical errors. Readers are requested to notify the Clerk of the Board (by e-mail, telephone, or in writing) of any apparent errors, in order that any necessary corrections may be made. (E-mail address: psb.clerk@state.vt.us)